

PROFILE

Special Edition

FOR EMPLOYEE APPRECIATION DAY



P U L L I N G T O G E T H E R F O R T H E C O M P A N Y



To be successful, a company must do more than just maintain its current condition — it must constantly strive to improve itself. By financial measure, it strives to increase sales and earnings. By customer measure, it strives to provide increasingly better products and service. By public measure, it seeks the support of its publics. And by any measure, a company can achieve success only through the commitment and contributions of its people.

This publication chronicles some of the efforts that required employees' pulling together to achieve success.

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June 1987

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COVER The company's successes reflect the pulling together of diverse skills, perspectives and experience. Teamwork and hard work made it happen. Illustrating this idea are, from back cover to inside front cover, Joe Boyle, Sandra Tomlin, Barry Noorigian, Beverly O'Steen, Carol Betha, Bob Mreen, Loretta Olds, Darlene Purvis, Jeanette Smith and Ping Sham Pun. Photo by Bob Hughes.



PULLING TOGETHER FOR THE COMPANY

■ Because employees here at Blue Cross and Blue Shield of Florida have pulled together to meet challenges, we have been able to chalk up major successes. ■ Coordinated efforts between sales forces and the development of new products helped us to increase our market share. Although our Medicare operations faced a difficult situation last year because of changes in federal government

procedures, Medicare Part A was able to achieve 95 percent of performance scores and Medicare Part B achieved 93 percent. A major success has been our work on developing a bid for the CHAMPUS program. ■ It is appropriate that we are sponsors of the 1988 U.S. Olympic team because we too are a team of winners. Thank you for making the Florida Plan a leader in the health care industry. ■ We have had many successes; the greatest have been the result of our working together as a team. This publication highlights some of the successes that our teamwork made possible. When we all pull together, there is no limit to what we can do.

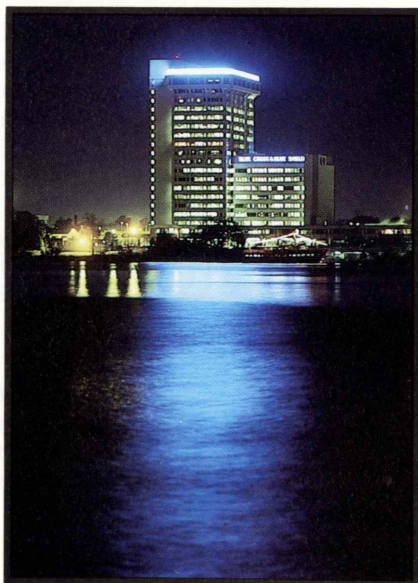
To you, the employees of Blue Cross and Blue Shield of Florida, this publication is dedicated.



George Cassidy
Vice President
Human Resources

1986 in Review

Each year, many events and a few milestones occur that shape our annual performance here at Blue Cross and Blue Shield of Florida. The past year is no exception and is particularly noteworthy because employees pulled together to bring about success. The events of '86 were sometimes difficult, often rewarding and always challenging. Thanks to teamwork, the year was a memorable one. Here is a brief review of some of the major accomplishments and challenges of 1986.



Late in 1986, the blue band around the top of the building was relit.

January

January set the tone for the year when the Organizational Climate Survey was conducted to obtain feedback from all employees on how the organization could function more effectively. Employees later reviewed the survey results and began suggesting ways to improve the company. ■ In the annual Addy Awards competition sponsored by the Jacksonville Advertising Federation, the company won nine awards for outstanding communications and advertising. ■ Two new Member Advisory Councils began meeting in Tallahassee and Ft. Lauderdale. ■ HEALTH OPTIONS of Polk County, Gainesville HEALTH OPTIONS, and HEALTH OPTIONS of South Florida in Broward County became operational this month.

February

All management in Private Business Operations attended Partners in Quality Change (PIQC) training sessions designed to assist individuals in understanding their management styles and their impact on the culture and other employees. ■ Governmental and Legislative Relations successfully completed a direct mail campaign on the potential loss of the Plan's tax exempt status. The campaign generated 10,000 letters of support to Florida U.S. Senator Paula Hawkins.

March

March brought a challenge to the company when the Health Care Financing Administration (HCFA) notified all Medicare contractors that it did not have sufficient funds available to allow them to process all of the claims they would receive. This caused claim inventories and claim payment times to increase in Medicare Part B. ■ To provide better service, the Corporate Travel Department assumed responsibility for coordinating airline reservations, lodging accommodations and vehicle rentals for business travel. ■ Approximately 75 employees participated in the annual March of Dimes Walk.

April

The Corporation established a 25-member Medical Advisory Committee of Florida physicians to consider issues relating to the practice of medicine, with emphasis on new technologies and emerging issues in clinical medicine. This committee provides valuable feedback from the provider community. ■ Individual sales results for the Telemarketing sales reps were the highest in the history of the department. ■ Provider Automated Services (PAS) collected over one million automated claims during the month — a 16 percent increase over projected goals. ■ Late in the month the Plan was awarded the administration of the State Employee Health Self-Insurance Plan for an additional 20 months. ■ Plan representatives traveled to Washington, D.C. to brief the Florida Congressional delegation and staff about Medicare claims delays and funding problems. ■ HEALTH OPTIONS of Sarasota began operations this month.

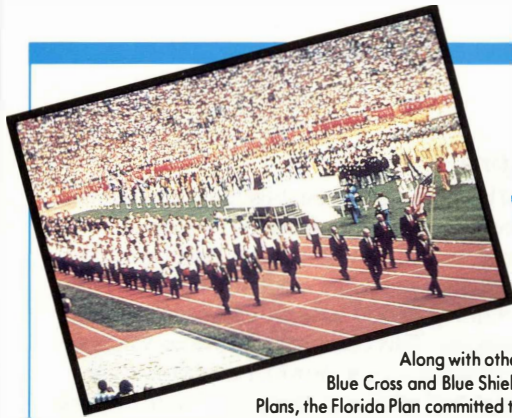


Karen Wynn, customer service rep in Telemarketing, contributed to the department's successes in 1986.

BOB HUGHES

May

Information Systems & Operations (IS&O) implemented the Electronic Post Office (EPO) this month, resulting in a reduction of paperwork and long distance calls between the home office and field offices. With EPO, "paperless" messages and memos can be sent from one CRT to another. ■ Facilities and Office Services kicked off its three-month Care About Our Environment (CARE) corporate clean-up campaign. ■ The Federal Employees Program (FEP) in Washington presented the Florida Plan with the Outstanding Performance Award for being number one during the 1985 open enrollment season. ■ PIQC implemented a program through which employees could earn time off based on a point system that



Along with other Blue Cross and Blue Shield Plans, the Florida Plan committed to sponsoring the 1988 U. S. Olympic Team.



emphasized both quality customer service and productivity. ■ Senator Lawton Chiles held a hearing in Jacksonville about funding delays in Medicare.

■ The company sponsored a picnic at Metropolitan Park for employees and their families to celebrate St. Johns River City Band Day.

June

IS&O assured users that "computer help is on the way" with the installation of a Help Desk for all Information Operations assistance. ■ For the first time in the history of the company, Local Group and Direct Claims made all eight of their claims quality goals, all fourteen of their claims cycle time goals and all seven of their inquiry goals. ■ FEP hosted an appreciation breakfast for approximately 260 employees from throughout the company who had contributed to the success of the FEP program.

July

Marketing and HEALTH OPTIONS, Inc.

had big wins this month: the Broward County School Board and the Duval County School Board. ■

HEALTH OPTIONS of South Florida became the first of HOI's federally qualified HMOs. ■ In an effort to coordinate most customer service efforts, all service units for 2-99 size groups, except those in Membership & Billing, were combined. ■ As a result of a campaign by the Florida Plan, Congressman Claude Pepper chaired a hearing to discuss funding limitations in Medicare and the resulting delays in claims payments.

August

The Corporation began to consider responding to a Department of Defense Request for Proposal for administration of the CHAMPUS program under a fixed price, "at risk" contract. Senior Vice President of Administration Bill Dodd was named leader of the CHAMPUS effort and he began selecting his team from divisions throughout the company. ■ Two TV commercials, building upon the "pencil" campaign, began airing. ■ Congressman Buddy McKay visited the Florida Plan and toured Medicare operations areas to demonstrate his support of additional funding.

The Exceptional Voices of Blue Cross and Blue Shield of Florida were one of many acts in the company's twelfth annual variety show.

September

September proved to be another big month for Marketing and HOI; wins included Pic N' Save, the City of Jacksonville (with a multiple-option health care package) and the City of Pensacola. ■ The announcement was made that the Florida Plan, along with other Blue Cross and Blue Shield Plans, would be an official sponsor of the 1988 U.S. Olympic Team, providing health care coverage for all of the competing athletes as well as for nearly 200 staff members of the U.S. Olympic Committee. ■ The company held its annual membership meeting, during which Plan President William E. Flaherty told members that "during the past year, Blue Cross and Blue Shield of Florida has experienced more change in terms of product and program innovations and in the way we operate than at any other time in our history." ■ HEALTH OPTIONS of South Florida in Palm Beach County began operations. ■ Medicare's fiscal year ended the last day of this month; during that year, the company processed a record 23 million Medicare claims which amounted to more than \$4.2 billion in benefits paid.

October

President Reagan signed the tax reform bill, which rescinded the income tax exemption of Blue Cross and Blue Shield Plans throughout the nation beginning January 1, 1987. ■ The United Way campaign was kicked off this month and ultimately netted a total of \$128,728.85 in pledges. ■ Eleven departments finished relocating to the recently renovated Gilmore Street building. ■ Senior Vice President of Marketing Robert W. McCaffrey announced the group's reorganization according to the segmentation of markets by size, classification, type of customer and geographic differentiation. ■ Congress passed a law as part of the Appropriations Bill that allowed Medicare claims requiring no additional research, documentation or information to be paid within 30 days of receipt. This eliminated the proposed mandatory holding or delay of claims payment. ■ Employee Appreciation Day offered employees music, food, giveaways and the ever-popular dunking booth.

November

IS&O installed a new mainframe computer and associated software products in support of 1100 terminals, including those in branch offices. The new system



Curt Hodges and David McMullen help decorate the building in celebration of sales wins.

At the end of 1986, the Plan began "rolling over" subscribers with managed care products to plastic ID cards.



Frances Dyal, Marion Scott and Wendell Jinright meet to discuss Organizational Survey feedback from IS&O employees.



WARNER HULL

increased applications development and user submitted jobs by 40 percent; on-line transactions were increased by 15 percent. ■ Over the Thanksgiving holiday the Riverside Lobby underwent its first renovation in 12 years. ■ A new Member Advisory Council was organized in Pensacola.

December

The last month of the year was a record-breaking one for automated claims submission: PAS received 1,163,010 claims for a total of 11,310,744 for the year — 6.4 percent above projections. ■ The growth of the managed care concept was illustrated by the increase in the number of contracts by year's end: 38 percent of Blue Cross and Blue Shield of Florida contracts had managed care, compared to 23 percent in 1985. Two new programs were added to the managed care package in 1986: Discharge Planning and Individual Benefits Management (Case Management). ■ The Plan began "rolling over" subscribers with managed care products to plastic ID cards. ■ The blue band around the top of the tower building was redesigned and relit. ■ After intense development efforts, systems for the Purchasing of Hospital Services (PHS) program were implemented and two hospitals signed contracts. ■ Employees held a Christmas party for 89 children from the Intensive English Language Instruction Program at Reynolds Lane Elementary School. ■ The company was one of the corporate sponsors of the gala opening of the Prime F. Osborne Convention Center.

Employees' Club: The Year in Review

In January the Employees' Club offered the first of many day trips to employees, this time to Sea World.

Employees showed their concern for local senior citizens when Corporate Caring volunteers held a Valentine's Day party for the residents of Cathedral Townhouse in February.

In March the Employees' Club ushered in spring by offering a trip to Cypress Gardens.

Employees traveled to Hawaii on two Employees' Club-sponsored trips in April. ■ The company basketball team captured the city championship in Division A, with a record of 20 wins and 3 losses. ■ The Gavel Club, dedicated to improving members' speaking and listening skills, graduated eight members this month.

May was a busy month for the Employees' Club. Employees traveled to Busch Gardens on a trek organized by the club. ■ Four

company-sponsored softball teams traveled to Baton Rouge, Louisiana, to participate in the Southeast Regional Blue Cross tournament; Blue Cross #1 won in the men's division. ■ The High Rollers, made up of Revonda Beasley, George Beasley, Dawn Stevens and Glynn Stevens captured first place during the first half of the bowling season; the ABCs, made up of Brenda Lee, Gloria Phillips, Beverly Mitchell and Carlton Mitchell took first place honors for the second half. ■ The Corporate Caring program held a picnic for Cathedral Townhouse residents in honor of Senior Citizens' Month.

In July the Employees' Club sponsored a trip to Wild Waters and Silver Springs, as well as a deep sea fishing expedition. ■ Regular season play in the golf league ended this month with a round robin single elimination tournament. The winning team was made up of Jim Hammond and J. P. Napolitano.

During the dog days of August the Employees' Club sponsored a trip to Savannah and a one-day Sea Escape cruise. ■ The company's intramural softball tournament was held; the Maenads won the women's division and the Misfits were champs in the men's division.

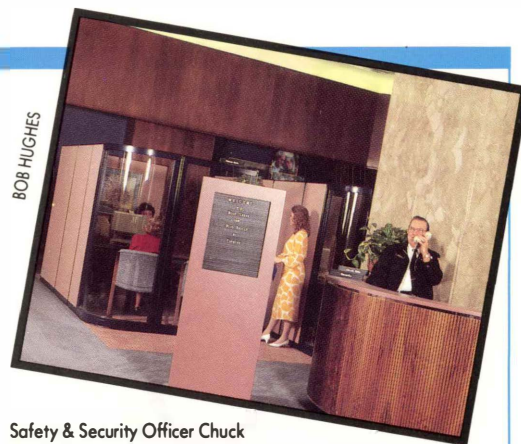
The Employees' Club looked forward to fall with a September trip to Oktoberfest in Helen, Georgia. ■ Corporate Caring volunteers held a Grandparents' Lunch at Cathedral Townhouse.

October saw the sixteenth annual arts and crafts show, sponsored by the Employees' Club. ■ Cathedral Townhouse residents were treated to a Halloween party by Corporate Caring volunteers.

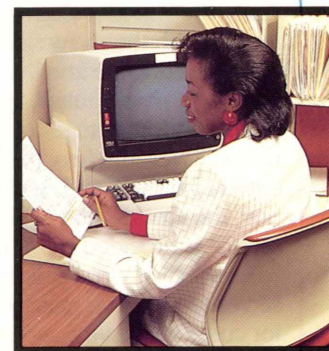
Thirty-six exhibitors participated in the third annual craft sale, sponsored by the Employees' Club in November. The club also organized a trip to Disney/Epcot. ■ Volleyball season ended this month. Linda Blake's team captured first place in the league. In the tournament, the winning team in Division I was captained by Travis Bullard; Ron Lee's team led in Division II. ■ A Thanksgiving dinner was provided for Cathedral Townhouse residents by Corporate Caring volunteers.

In December approximately 100 Plan employees staged the twelfth annual Toys for Tots Variety Show, which raised more than 1500 toys for distribution to underprivileged children.

■ Corporate Caring volunteers shared the spirit of the season by throwing a Christmas party for residents of Cathedral Townhouse.



Bob Hughes
Safety & Security Officer Chuck Eden mans the new security desk in the recently renovated Riverside Lobby. Customer Service Rep Mimi Underwood helps serve customers who stop by with questions.



Evelyn Colon, customer service rep C in Medicare Part B, was one of many employees affected by the federal government's decision that carriers needed to slow down payments.

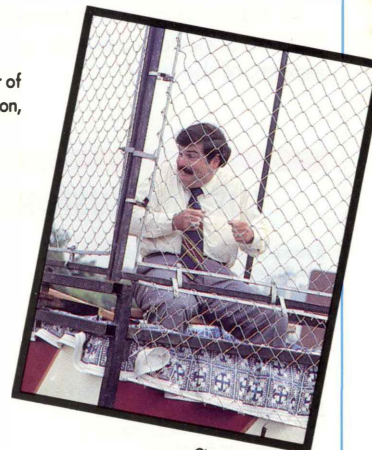
BOB HUGHES



Deborah Cobb coordinates the Corporate Caring Program for the Employees' Club.

PAW KING

John Oetjen, director of Benefits Administration, taunts a potential "dunker" from his seat in the dunking booth on Employee Appreciation Day.



CHRISTINA HOPE



Employee-designed T-shirts helped recognize sales wins and accomplishments during the year.

INSIDE A CORP

One of the corporate issues with the highest priority has been Superior Customer Service. The issue is a many-faceted subject not easily captured in pat phrases or catchy slogans. For the past several years, the Superior Customer Service Work Group has met regularly to deal with the many sides of the issue. The group is faced with both the concrete and the abstract, because, as group member Catherine Shane puts it, "Claims processing is relatively easy to understand. But 'superior' and 'service' are a lot harder to get a handle on." Nevertheless, the group continues to set stringent working criteria for itself, and, as the issue is worked through the organization, the Florida Plan is beginning to change the way it looks at how service is provided.

Says Senior Vice President of Operations Antonio Favino, who serves as the issue manager, "We now have a realization that superior customer service and quality are important not only as divisional objectives, but also as a corporate problem and objective. This is not just a claims issue." Because the issue crosses all divisional lines, the work group is composed of members from throughout the company. This representative group helps build understanding of and commitment to the issue into the very fabric of the company. Toward that end, the members stress that every employee plays a role in the delivery of service because every area of the company serves either external or internal customers in some capacity. Blue Cross and Blue Shield of Florida is first and foremost a service organization; only if every single employee understands his or her particular role in serving the customer and demonstrates that understanding through action can the company succeed.

"The work group provides a forum for all kinds of ideas actually getting worked," says Don Van Dyke. Mike Jones adds, "One of the reasons group members feel successful is that we challenge each other; there isn't a lot of 'yesing.' We've learned to work with criticism and to learn from it."

In March work group members shared their individual perspectives on superior customer service when questioned about different aspects of the issue.

SUPERIOR CUSTOMER SERVICE WORK GROUP

Steve Davis, Vice President
Medicare Part B

Dave Dingfield, Vice President
Information Systems & Operations

Fabian Fuentes, Vice President
Marketing Services

Anne Hunter
Planning & Operations Support Analyst

Barbara Hunter, Director
Corporate Communications & Community Relations

Bill Johns, Vice President
Utilization & Benefits Management

David Johnson, Project Manager
Corporate Issues

Mike Jones, Director
Facilities & Office Services

William Kirby, M.D., Vice President
Medical Affairs

Larry Payne, Vice President
Private Business Claims

Ping Sham Pun, (eff. 3/87) Director
Statistical & Medical Underwriting

Catherine Shane, Director
HIS Field Support

Wayne Stephens, Executive Director
HEALTH OPTIONS of Jacksonville

Donald Van Dyke, Vice President
Customer Relations

Al Washington, Director
Personnel Development

Issue Manager:
Antonio Favino, Sr. Vice President
Operations

Is it really necessary to attach the word "superior" to "customer service"? Shouldn't customer service always be the best we can give?

B. Hunter:

We originally tied in the word "superior" to give emphasis and direction. We had experienced customer service problems and we wanted to concentrate on delivering excellent service.

Johnson:

We're looking for the most ambitious definition in terms of looking to the future. We want to be THE leader in the health care industry, so we can't be limited in our definition.

Davis:

"Superior" is a comparative word. We want the service we deliver to be better than the service delivered by our competitors. Using the word "superior" reminds us that we're in a competitive environment.

Washington:

As an athlete, one of the things I learned is that you must always strive to be the best. So I don't think we should have two levels of service. We should always strive to be superior and, if and when we reach that level, then we should reset our goals and shoot higher still.

Fuentes:

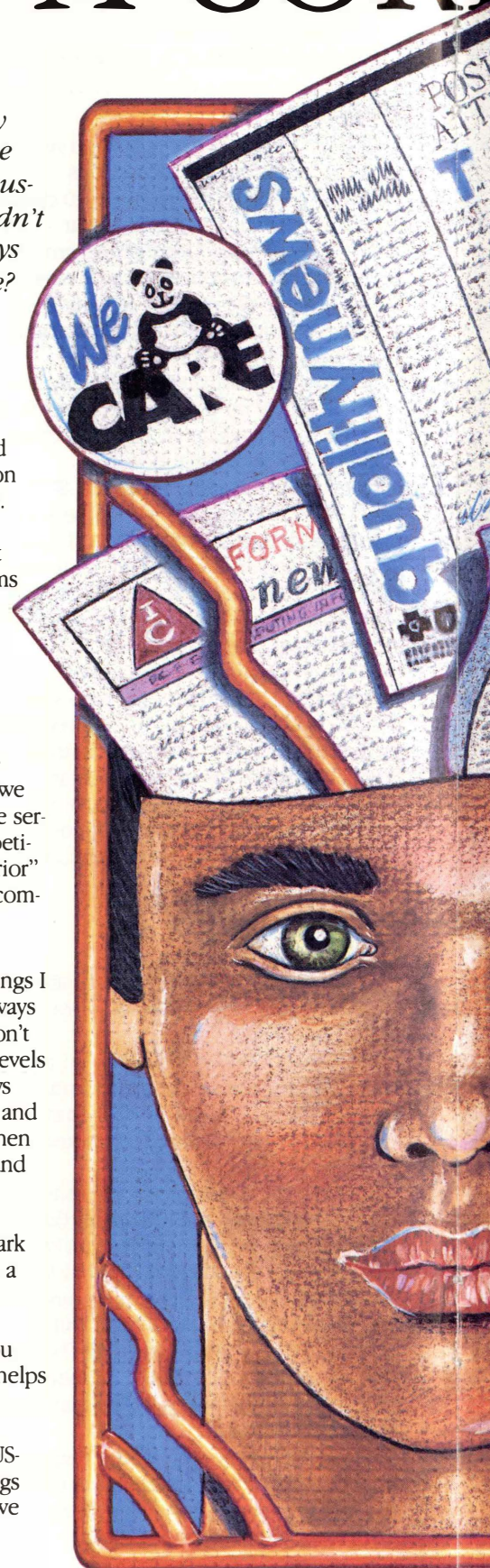
We have to be the benchmark ourselves; "superior" is not a relative term.

Kirby:

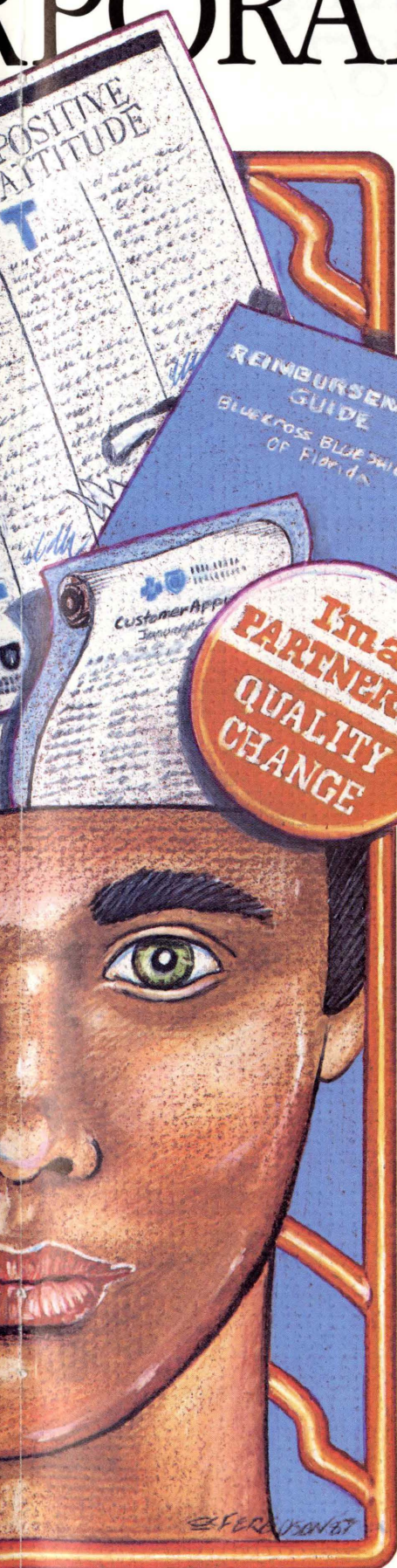
I agree. "Superior" gives you something to shoot at and helps to set the focus.

Payne:

The word reinforces the CUSTOMER to me and ties things back to the people whom we serve.



RPORATE ISSUE



Shane:

"Superior" has always been an overused term. It's ambiguous. All service should be good. There is an attitudinal and cultural change that should be brought about in which you treat every person you talk to on the phone as though he were a relative.

What do our customers expect from us?

Stephens:

They want people to follow through.

Dingfield:

The customer expects to be treated as a human, that the individual serving him should have a certain level of professionalism, and that the problem should get RESOLVED.

B. Hunter:

A customer once told us, "I just want to be treated like a person."

Shane:

Customers get frustrated when their expectations and reality are so far apart.

Kirby:

And when they don't get the response they think they should be getting.

Fuentes:

We ourselves give our customers expectations — and we must then live up to them. The customer needs to understand what he bought and we need to help him with his expectations.

Davis:

Our customers need to know that our resolution of claims processing will be expedient and correct and will meet their expectations. And if they have a need to contact us, we will be able to satisfy them quickly and professionally on the first contact.

A. Hunter:

The customer wants to be able to call on the phone and get an answer he can comprehend and that is reasonable to him.

Van Dyke:

Customers want someone they trust, who is compassionate and understanding of what their particular issue is. A personal touch is necessary — in addition to knowledge of procedure.

Payne:

Very simply, the customer wants a quality product delivered and serviced properly.

Does the organization understand what superior customer service is? Or has the term become a company buzzword?

Washington:

One of the dangers when you coin a phrase is that eventually it becomes a part of the culture and is said without too much thought as to meaning. In terms of ongoing orientation and education, we can fight that by encouraging people to keep talking about it.

Payne:

That's right. You need to instill in your people when they first come on board what your values are as an organization and how they relate to the customer. You continually reinforce it in your organization—it becomes a way of life. We need to work on that.

Johns:

I think we're in the neophyte stage. The initial thoughts have been planted and have to be given time to grow and mature.

Van Dyke:

There is sometimes a misconception of service in the corporation because our business is so diverse. However, without really publicizing a lot, the work group has worked the information down to every single employee.

Jones:

Certainly superior customer service must be communicated at all levels. Everyone has to be sold. We've gotten the word around; now we just have to keep reinforcing the behavior.

Fuentes:

The corporate mind-set is such that we are becoming more and more aware of the fact that the customer is the most important person that we have. He is not a PROBLEM for us; on the contrary, without him we wouldn't have our jobs.

Shane:

The average employee may not understand the corporate definition of superior service, but he has the right attitude. Every employee wants to go home and feel he has done a good job that day.

A. Hunter:

We don't understand it, but we are coming to a better understanding. It was more of a buzzword in the past than it is now. More has happened in the last year and a half to actually improve service and to try to spread the mind-set to more areas of the company.

Stephens:

There has been a change in behavior over time. It's been an evolutionary thing in all parts of the organization.

Dingfield:

Superior customer service is not just a phrase, it is action. Behavior is what demonstrates the commitment to delivering a superior level of service.

Looking at '86

Last year work group members put in place 14 individual management plans representing many areas of the company. Says David Johnson, "The management plan that we follow is one that does not leave us tangled in definitions and abstract issues. It is an approach that brings forth action today." The group has also worked on identifying corporate indicators for all customers. These indicators are built around six dimensions of service, as well as basic points of interaction with customers.

"The claim you're processing is not just a piece of paper—it's a piece of a person's life."

— Larry Payne

As a part of their individual management plans, members looked to their organizational areas to make improvements in customer service. For example, Facilities and Office Services conducted a corporate clean-up campaign (CARE) throughout the company. Information Systems & Operations surveyed users in order to identify their needs and now has its own divisional superior customer service work group. HIS Field Support developed a useful and meaningful Reimbursement Guide for use in doctors' offices. Feedback from Member Advisory Councils led to the development of a simplified EOB form that replaced the term "coinsurance" with the more easily understood phrase "your part."

Some projects crossed divisional lines. The new Membership & Billing system, for example, is the result of a cooperative

effort between IS&O and Customer Relations, just as the development of a new claims system is being worked in both Private Business Claims and IS&O. Sales Administration worked with the field offices and the stockroom to devise a new procedure for keeping inventories of customer-related materials current.

Other projects were geared specifically to soliciting feedback from and recognizing individuals within the organization. Weekly bulletin board postings, for example, highlighted employees who have received letters of appreciation from customers they've helped. The work group solicited employees' ideas on the meaning of superior customer service early in 1986; those responses were also posted on company bulletin boards each week. Partners In Quality Change (PIQC) is a joint venture in Customer Relations and Private Business Claims to improve the human organization through seeking input and feedback from all employees.

These are just a few of over 100 service projects initiated throughout the company last year.

Looking at '87

At least 35 additional service projects in the company have been identified for 1987. A top priority for the work group will be to look at

"What you buy when you buy an insurance product is a piece of paper and a promise."

— Fabian Fuentes

the relationship between cost and superior customer service. The group will also study the linkage between customer service and the purchasing of health care services and will continue its work on setting up a mechanism that can, as Barbara Hunter puts it, "really get out with customers and make sure that what we are doing is on target." And, according to Johnson, the group will be taking a "hard look" at more clearly defining specific, concrete goals that can be tied to customer service

indicators. Additionally, the group continues to grapple with such thorny issues as the relationship between quality and productivity, as well as tough questions like "How do you bring about a 'caring and concerned' attitude?"

Antonio Favino says the group has begun the second phase of the project. "In 1986," he says, "we worked on improving operating results at the macro level, looking at indicators, touching on service in each of the areas. We now have to be seen corporately as ADVOCATES for the customer."



SIX DIMENSIONS OF SUPERIOR CUSTOMER SERVICE

Caring and Concerned Attitude We show genuine interest in and commitment to meeting our customers' needs.

Competent and Professional Image We exhibit that we are knowledgeable and proficient and instill confidence in our customers.

Informational Needs Satisfied We anticipate and fully satisfy our customers' informational needs in an easily understood, accurate and timely manner.

Customer Convenience We provide access to our products and services at our customers' convenience and ensure that all interactions with them are positive, personalized and simple.

Timeliness We recognize the importance of prompt and timely responses to our customers' needs and honor this expectation in all our service transactions.

Quality We satisfy our customers' expectations for quality by providing products and services which meet their needs.

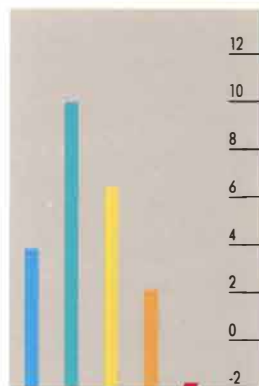
"You can make a friend (and customer) for life if you say, 'Let me see what I can do to cut through the red tape for you.'"

— Don Van Dyke

Results and Trends

PERCENTAGE INCREASE OVER 1986

(Beginning Inventory)



FEP 3.9%
Local Group 10%
State Group 6.4%
Direct Sales 2.1%
Nat'l Accounts* -1.83%

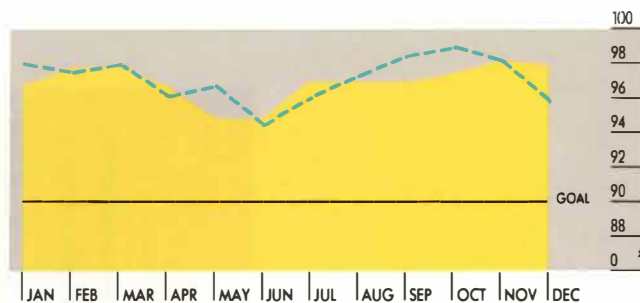
*The year-end loss in National Accounts reflects a trend by control Plans to pull business in from participating Plans and to administer national contracts centrally.

Membership in HEALTH OPTIONS, Inc. increased by 175 percent in 1986. The high percentage is due in part to the influx of members to the new HMOs that opened during the year.

MEDICARE PART A

(Percent processed in 30 days - TOTAL CLAIMS)

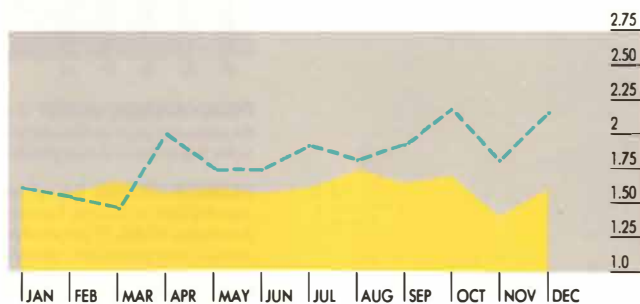
ACTUAL 85
ACTUAL 86



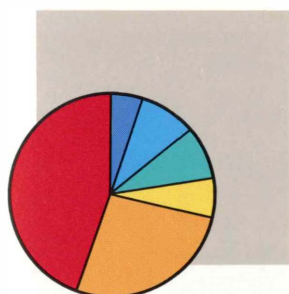
MEDICARE PART B

(Number of claims processed)

ACTUAL 85
ACTUAL 86



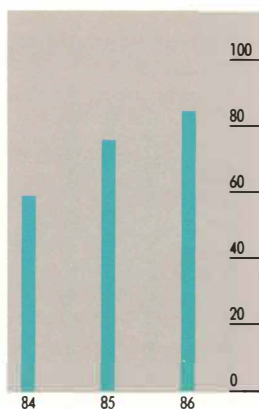
OUR NON-MEDICARE BUSINESS



Under 65: 6.1%
State of FL Employees: 9.8%
Federal Contract Employees: 9.8%
HMO: 6.6%
Over 65: 33%
Group: 54.5%

PERCENTAGE OF GOALS ACHIEVED 1984-86

(Customer Relations Division)

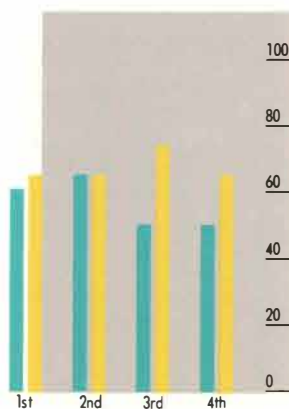


The above graph shows the percentage of performance goals achieved by the Customer Relations Division, made up of Membership & Billing and Customer Service, over the past three years. The division has 47 performance goals.

ACCURACY GOALS

(Quality)

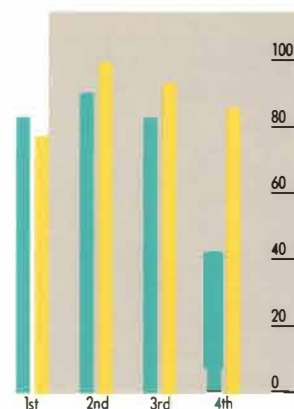
85
86



TIMELINESS GOALS

(Cycle Time)

85
86

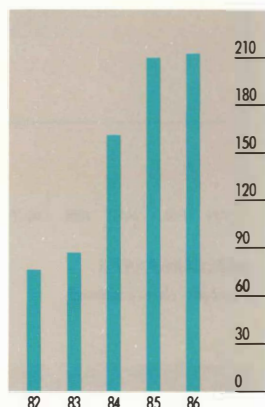


During 1986 the internal measurements for accuracy levels and timeliness of claims processing improved significantly over 1985 results.

Note: In order to place more emphasis on service from a customer's perspective, PBO has established External Measurement Goals for 1987. The customer will rate performance. The goals are to attain: ■ 80% overall claims accuracy rating of good or excellent ■ 80% overall claims processing rating of satisfied or very satisfied ■ 92% overall courtesy on inquiries rating of good or excellent ■ 80% overall customer service satisfaction rating of satisfied or very satisfied

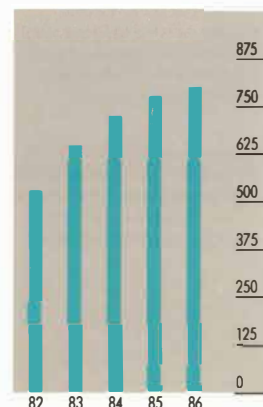
Results and Trends

POLICYHOLDERS' EQUITY
(in millions)



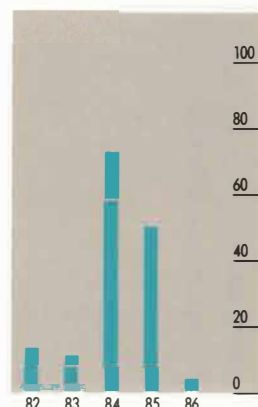
POLICYHOLDERS' EQUITY Growth in policyholders' equity (also called reserves) has been strong. Policyholders' equity is the difference between the company's assets and its liabilities. It provides continued protection to policyholders during times of economic instability and when use of benefits is higher than anticipated. Policyholders' equity also provides the base for funding growth and development of new business ventures such as HEALTH OPTIONS.

PREMIUM INCOME
(in millions)



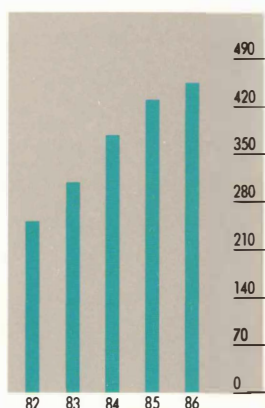
PREMIUM INCOME Premium income is the amount generated from policy sales. Premium income has shown steady growth as well as designed and expected shifts in its source. For example, responding to the marketplace, the company has developed PPOs and HMOs, now beginning to gain wide acceptance. In 1986, 10 percent of the company's revenues come from HMOs, up from 3 percent in 1985. As a percentage of our total revenues, PPO revenues have grown from 1 percent in 1985 to 6 percent in 1986.

NET INCOME
(in millions)



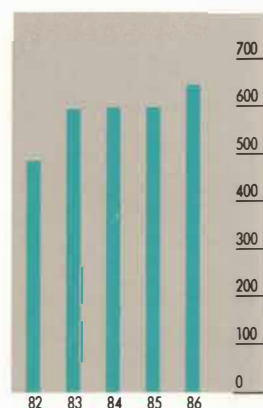
NET INCOME The total of the company's operating income and investment income and gains or losses on sales of investment securities make up net income. Operating income is premium income minus claims and administrative expenses. The company's net income has fluctuated over the years, just as it has for the industry as a whole. A complex set of variables, many of which cannot be predicted or completely offset through increased premiums, has an impact on net income. Development of new products and new businesses takes significant investment of resources in order to begin contributing to the company's net income.

TOTAL ASSETS
(in millions)



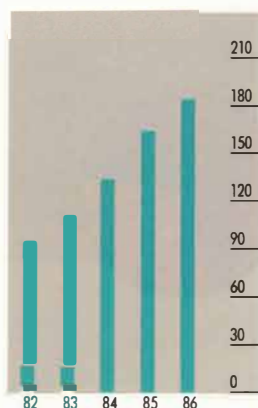
TOTAL ASSETS Total assets are investments and accounts receivable from customers and control Plans, as well as property, equipment and other assets owned by the Florida Plan. These assets have steadily increased as the business has grown.

CLAIMS EXPENSE
(in millions)



CLAIMS EXPENSE Claims expenses are the costs incurred by Blue Cross and Blue Shield of Florida for the payment of the insured portion of policyholders' medical expenses. Claims expense is the most significant item which is subtracted from premium income in calculating the company's net income.

ADMINISTRATIVE EXPENSE
(in millions)



ADMINISTRATIVE EXPENSE Administrative expenses are those costs incurred in the normal operation, development and expansion of the company's business. Administrative expenses include such costs as salaries, employee benefits, advertising, supplies, and other types of operating expenses.

How Others See Us

TRACKING THE CORPORATION'S IMAGE

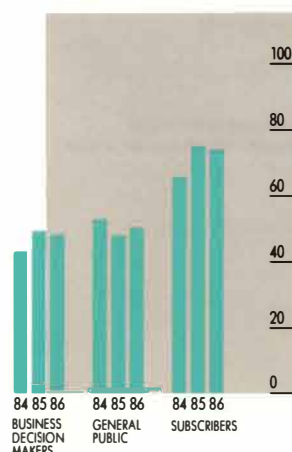
A company's "image" is its overall personality in the minds of its many audiences or publics. It is the general way people think about a company when they hear its name. A company's image is the sum of everything it does — the types of products and services it offers, its management style and organizational structure, policies and practices, activities in the community, and overall philosophy. A positive image can give a company an important advantage over its competitors, while a negative image can greatly decrease a company's ability to do business successfully.

For the past three years, Public Issue Analysis and Planning has been monitoring the overall image of the Florida Plan and perceptions of the corporation on a number of important characteristics among three key publics: business decision makers (those responsible for the health care coverage decision in a company), the general public and subscribers.

In 1986 an image tracking study was initiated for HEALTH OPTIONS, Inc. Attitudes toward HMOs in general and perceptions of HEALTH OPTIONS and its main competitors are monitored in eight markets among Florida consumers eligible for HMOs. This provides the Plan and HEALTH OPTIONS with a broad overview of how the Florida HMO market is developing and with consumer information to help in marketing planning.

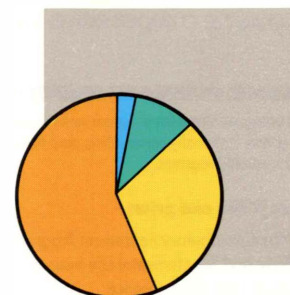
GENERAL PERCEPTION OF BC&BSF

(Percent who rate the company as excellent or good)



About half the decision makers in groups and the general public rate Blue Cross and Blue Shield of Florida as excellent or good. Not surprisingly, the company's subscribers have the strongest positive feelings about the Plan, with about three-fourths rating the company highly.

SUBSCRIBERS' SATISFACTION WITH SERVICE



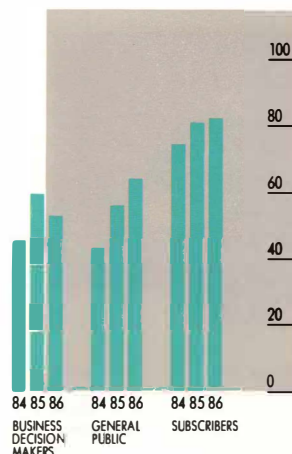
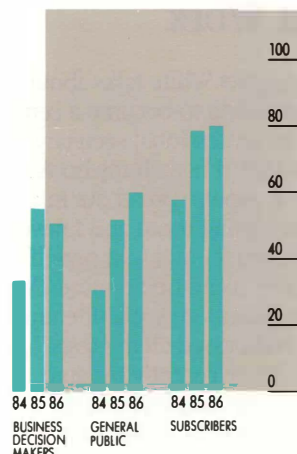
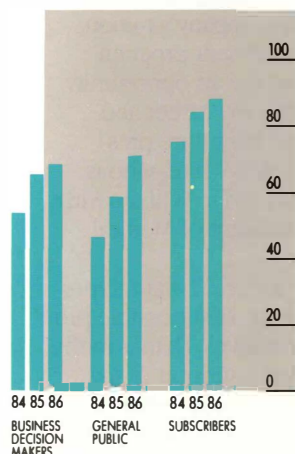
In 1986, over half the company's subscribers were very satisfied with the service provided by the Plan. Three in ten customers were somewhat satisfied and one in ten had negative feelings about service.

IMPRESSIONS OF THE CORPORATION ON SPECIFIC ATTRIBUTES (percent who agree with the statement)

Blue Cross and Blue Shield of Florida is a leader in the health care industry.

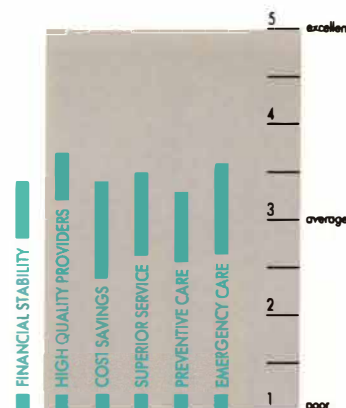
Blue Cross and Blue Shield of Florida works to provide quality health care at affordable rates.

Blue Cross and Blue Shield of Florida cares about its customers and makes an effort to satisfy individual needs.



A number of important company characteristics are monitored. Three of these important characteristics are leadership in the health care industry, providing quality care at reasonable rates and concern for customers and their needs. In general, perceptions of the corporation on these characteristics show great improvement over the three-year period.

IMPRESSIONS OF HEALTH OPTIONS ON SPECIFIC ATTRIBUTES



Many people who are aware of HEALTH OPTIONS do not feel knowledgeable enough about the company to voice their impression of it on specific attributes. However, people who are more knowledgeable about HEALTH OPTIONS perceive it as above average on these characteristics.

The Human Organization

All our progress is built on the contributions of the employees who are Blue Cross and Blue Shield of Florida. Employees live and work throughout the state, but are united in their commitment to excellence and teamwork. As the employee population has continued to grow over the years, the company has invested in its people by upgrading compensation and benefit programs.

GROWTH IN EMPLOYEE BENEFITS PACKAGE

The company's benefits program seeks to provide cost effective, progressive medical programs, regionally competitive, paid time-off programs and nationally competitive, insured and trusted programs.

Base (1983 and prior)

- Non-Contributory Retirement Program
- Basic and Supplemental Life Insurance
- Dependent Life Insurance
- Paid Personal Leave
- Short Term Disability
- Long Term Disability
- Vacation/Holidays
- Traditional Health Care Coverage — Basic plus Major Medical

Additions

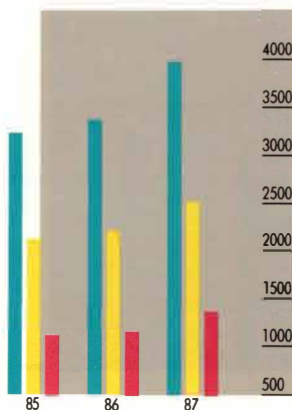
- 1984 - Dental Assistance Program
- 1985 - Corporate Floating Holiday
 - Triple Option Health Care Coverage
- 1986 - Salary Deferral Savings Program
 - Pre-Retirement Planning Program

Annual Cost for all Benefits Programs

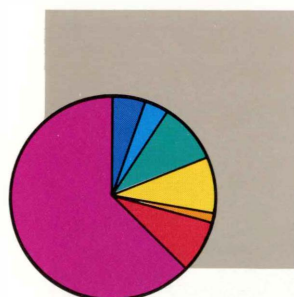
■ 1984 - 23,931,600 ■ 1985 - 27,172,400 ■ 1986 - 27,253,500

EMPLOYEE POPULATION (Over 3 years)

Total ■
Non-Exempt ■
Exempt ■

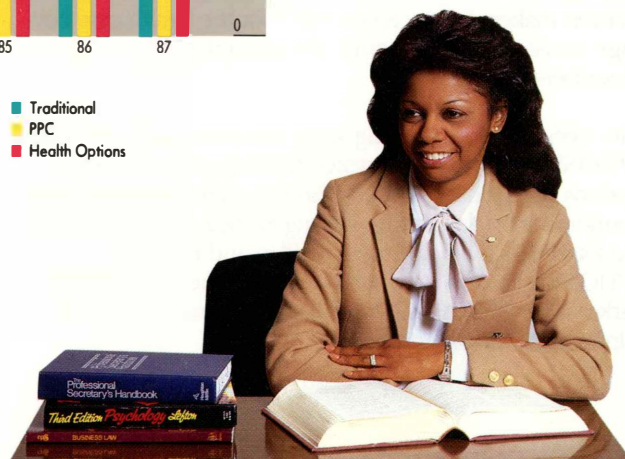
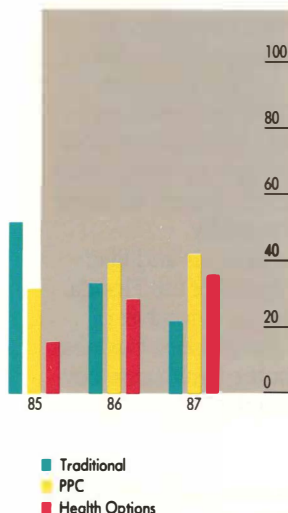


EMPLOYEES BY DIVISION



TREND IN HEALTH CARE COVERAGE FOR BC&BSF EMPLOYEE GROUP

(Percentage of employee group enrolled)



CHRISTINA HOPE

Tuition Reimbursement at Work

Margaret White talks about preparing to become a certified professional secretary (CPS): "I had all my books and papers spread out in the dining room and I never moved them. I told myself there could be no more TV and no more social life until I had passed all the tests."

White recently became the fifth employee in the company to be awarded a CPS certificate. To qualify, she had to pass a six-module test covering office administration and com-

munication, office technology, psychology, business law, accounting, and economics and management.

"The company's tuition reimbursement program afforded me an opportunity to further my career and improve my future prospects," said White, who is secretary to Dr. William Kirby, vice president of Medical Affairs.

She added, "I want to perform at my best possible professional level. Thanks to the company's support of my studies through tuition reimbursement, I've been able to add to my professional knowledge and therefore increase my support of corporate management."

Given enough rope, we could have ended up hanging ourselves. But thanks to the cooperation and helpfulness of our fellow employees, we were able to “pull together” the many diverse bits of information that made up this publication. *Employee Communications* extends heartfelt thanks to:

Pat Ainsley, Sheila Ausum, Jeannette Bajalia, Dale Beaman, Bonnie Blaess, Alan Both, Judy Brazile, Ernie Brodsky, Harriet Brodsky, Bobbie Crane, Diana Crouch, Steve Davis, Lynda Dedmon, Alex Dietz, Janis Dixon, Henry Douglas, Mike Fagan, Pat Fekula, Alfred Floyd, Cathy Gibson, Tom Gniech, Carol Green, Jim Hammond, Richard Harnage, Frankie Hawkins, Leslie Hogan, Roger Holton, Jean Hull, Vicky Hulsberg, Jan Humphrey, Warren Hunter, Kubi Keyes, Dave Knopsnyder, Bill Long, Louise Martin, Mary Matheson, Thelma McCurdy, Ed O’Neil, Beverly O’Steen, Larry Payne, Doug Powell, Bob Pralle, Burnadette Presley, Bill Reed, Melissa Rehfus, Johnny Rhoden, Mickey Rugg, W. Charles Scott, Bill Simek, Tom Stanley, Anita Stombeck, LaVerne Taylor, Ken Thurston, Karen Tingen, Andy Whiddon, Deborah Williams, Pat Williams, Becky Wilson, Deb Wilson, Jeff Wollitz.

An extra - big thanks to Vicentee Ferguson, Joann Root, Mickey Rugg and Sophonia White, who buffed and puffed and pulled and tugged through a cover photo session with us.

